

MARICOPA COUNTY SELF-INSURED TRUST

BOARD OF TRUSTEES MEETING

301 W. Jefferson Street, Suite 3200
North Conference Room, 3rd Floor, Maricopa County Administration Building
Monday, October 19, 2015
Open Meeting Time: 11:00am

OPEN SESSION

MINUTES

TRUSTEES PRESENT: Jim Steinkamp, Rex Jorgensen, Beverly Dupree, Helena Whitney

TRUSTEES ABSENT: Brad Arnett

STAFF PRESENT: Meg Blankenship, Christopher Bradley, Dave Hansen, Tawn Thornton, Gail Cohen, Haydee Arismendez

GUESTS: Kevin Russell, Chris Dunker, Cristi Cost

Haydee Arismendez distributed a presentation folder to each Trustee and Staff member present. The folder included the meeting agenda, August 17, 2015 meeting minutes, and the financial statements.

The Open Session meeting was called to order by Chairperson Steinkamp at 11:00am. A quorum was present.

Approval of Meeting Minutes

Chairperson Steinkamp called for the approval of the August 17, 2015 meeting minutes. No changes were identified. The motion to approve the minutes was made by Trustee Dupree and seconded by Trustee Whitney. The August 17, 2015 minutes were unanimously approved.

Presentation and Discussion – Review of Financial Statements

Dave Hansen presented a review of the current assets and liabilities related to the Employee Benefits Trust Fund as reflected in the following financial reports:

- Statements of Revenues, Expenses, and Changes in Net Assets – YTD as of September 30, 2015
- Statements of Net Assets – September 30, 2015, June 30, 2015, June 30, 2014, June 30, 2013 and June 30, 2012
- Balance Sheet Details – September 30, 2015, June 30, 2015, June 30, 2014, June 30, 2013 and June 30, 2012
- Fund Balance Roll-Forward – One Month Ended September 30, 2015
- Revenue and Expenses – One Month Ended September 30, 2015
- Financial Commentary – September 2015

The question by Chairperson Steinkamp in reference to Pension Liabilities listed in the Balance Sheet was addressed and clarified. Reference was made to the Statement of Net Assets and Internal Service Funds. Under Liabilities, the Statement reflects Deferred Inflows Related to Pension and Net Pension Liabilities. These are adjustments that are reported on the Financial Statements because Pension Liabilities were moved from the General Fund to the Benefits Trust Fund.

The question by Trustee Dupree in reference to a significant increase in Liabilities was addressed and clarified. Claims are monitored closely and the Liabilities are normally less than what is reported since a conservative forecast approach is taken.

The question by Trustee Jorgensen in reference to how Liabilities are reported was addressed and clarified. The report shows Year-End adjustments to Liabilities. Liabilities are based on the July run out of claims processing.

The question by Trustee Jorgensen in reference to Pension Liabilities was addressed and clarified. The Pension Liabilities are for the Maricopa County Benefits Staff's share of the overall County Pension Liabilities.

The questions by Chairperson Steinkamp and Trustee Dupree regarding the relation of Pension Liabilities to the Benefit Plans were addressed and clarified. The Pension Liabilities are not related to the Benefit Plans; they are related to employees' pensions only.

The question by Chairperson Steinkamp regarding how the Pension Liabilities are reported was addressed and clarified. The report reflects a one-time charge going back prior years, so going forward the Pension Liabilities should decrease.

The question by Trustee Jorgensen regarding how the Pension Liabilities amount was calculated was addressed and clarified. The amount is reviewed by the Attorney General's Office as they have been auditing the Arizona State Retirement System

(ASRS), and the calculation has also been reviewed by a lot of different people including actuaries.

The question by Chairperson Steinkamp in reference to what options, if any, Maricopa County has regarding the Pension Liabilities was addressed and clarified. Maricopa County must accept the Liabilities as they were calculated.

The question by Trustee Dupree in reference to Maricopa County having to comply with Pension Liabilities was addressed and clarified. The Pension Liabilities were distributed evenly amongst the different ASRS agencies. The Pension Liabilities have no cash impact on the Employee Benefits Trust Fund, and will at some point in the future be paid off.

The question by Chairperson Steinkamp in reference to the YTD First Quarter Report was addressed and clarified. As reflected in the YTD First Quarter Report, the Trust Fund breaks even, however, by this time we would like to see some kind of margin.

The question by Trustee Dupree in reference to what can be done to be proactive in managing large claims was addressed and clarified. For some of the large claims there's not much that can be done to prevent them. In some cases, programs such as the Healthy Babies Programs may help provide awareness and education to expectant mothers..

Chairperson Steinkamp discussed how a Plan is expected to have large claims but such claims must be monitored and subrogation must be addressed. A discussion on Stop-Loss insurance may also be needed.

Presentation and Discussion – Trust Fund Reserves

Kevin Russell and Chris Dunker from Mercer presented an actuarial analysis of unpaid claims liabilities and reserves as of June 30, 2015.

The question by Chairperson Steinkamp regarding the Company Action Level (CAL) was addressed and clarified. The agreed-upon CAL is between 100% and 150%.

The question by Chairperson Steinkamp regarding what medical and prescription trend was utilized to make projections was addressed and clarified. For medical the trend used was a combination of 6 and 7 percent and for prescriptions the trend used was approximately 12 percent.

The question by Chairperson Steinkamp regarding IBNR was addressed and clarified. Because there are now two different health plans that administer the medical plans claims are not paid as before. UnitedHealthcare claims seem to be processed a little slower.

The question by Chairperson Steinkamp regarding Mercer's opinion on the ICD-10 code change was addressed and clarified. Mercer anticipates providers having some growing pains getting used to submitting the claims correctly. The insurance companies that process the claims have to be able to process old claims with ICD-09 codes and new claims with ICD-10 codes.

The question by Chairperson Steinkamp in reference to the ICD-10 change impact in getting claims paid timely was addressed and clarified. If the total paid claims look a little short compared to what the monthly total normally is, it could be due to the change. However, Maricopa County is contracted with two large healthplans for claims processing, and they worked very efficiently to prepare for the change. If there is any delay in claims processing it might be that providers are still adjusting to change, however, they will move to be in compliance with the change to ICD-10 because they want to get paid timely. The projection is that if there is a delay in processing claims, it's likely not to be more than a 3-month delay.

The question by Trustee Jorgensen in reference to the confidence level used by Mercer in projecting the reserve levels was addressed and clarified. Mercer explained that the calculations are made on a monthly basis, using the best estimate so that you are neither intentionally high nor intentionally low. When you file with the Department of Insurance, you want a higher confidence level that is more accurate than just a 50/50 one. The estimate includes a surplus for claims fluctuation.

Chairperson Steinkamp called for a motion to approve Mercer's recommendations on the reserve levels. The motion was made by Trustee Jorgensen and seconded by Trustee Whitney. Approval of the recommended reserve levels passed unanimously.

Chairman Steinkamp requested an analysis of the historical experience with Stop-Loss Insurance, and suggested that voting on whether to have Stop-Loss set to zero for FY 2017 be deferred until the next meeting. Dave agreed to present information at the next meeting and to defer a decision on Stop-Loss until then.

Convene an Executive Session

Chairman Steinkamp asked for a motion to move to Executive Session to discuss a subrogation claim and contemplated legal action to pursue reimbursement of expenses

paid by the Trust Fund. The motion was made by Trustee Dupree and seconded by Trustee Jorgensen. By unanimous vote, the Open Session meeting was closed to the public at 11:55am and an Executive Session convened at 11:55am.

The Open Session meeting resumed at 12:10pm immediately following the adjournment of the Executive Session.

Call to Public

Chairperson Steinkamp made a Call to the Public. No one from the public was present.

Motion to Adjourn

Chairperson Steinkamp called for a motion to adjourn. The motion to adjourn was made by Trustee Dupree and seconded by Trustee Whitney. The motion passed unanimously.

The meeting was adjourned at 12:15pm.